

Testimony of Frances G. Padilla, President  
Universal Health Care Foundation of Connecticut  
October 15, 2014

Good Afternoon. I come before you as President of the Universal Health Care Foundation of Connecticut, where I've been working for the past decade advocating for systemic transformations that measurably improve access, quality and affordability for everyone in our state. I have also had the experience of serving on the board of trustees of the Hospital of St. Raphael (from 2005 to 2009), and on the board's Finance Committee, where we struggled mightily with the challenges of reconciling mission and margin. Ultimately, we all know how that story ended, with the acquisition of St. Raphael's by the Yale New Haven Hospital system. My remarks today will focus on the consumer, patient and community impact of the proposed purchase of Waterbury Hospital.

The conversion of a nonprofit community hospital is a complex undertaking, not a course of action easily decided. A community hospital is a local treasure – a trusted source of care, at times on a planned basis and at other times in emergencies. It is also a long-standing local institution, an employer of many types of professionals and supporting staff, often a principal source of employment for the residents of the surrounding neighborhoods, a member of the local business community, a part of the civic infrastructure. I respect the due diligence of the Waterbury Hospital board as it deliberated over the past several years on how best to protect the future of hospital care in the greater Waterbury area. As we at the Foundation observe the process unfolding, in Waterbury and elsewhere, several concerns arise which I will outline and also offer some recommendations.

The current trend of hospital consolidations, mergers, acquisitions and conversions is happening in the environment of health reform, where the Affordable Care Act seeks to

improve access to care, reduce cost and improve quality. Hospitals readily point to the ACA's heightened focus on accountability and value based reimbursement as a driving factor behind these trends. But while consolidations and conversions are held up as the only defensible options to ensure the fiscal viability of hospital services, the research literature reveals that conversions and consolidations contribute to increases in health costs, with mixed reviews on quality improvement, and adverse effects on access.<sup>1</sup> The Affordable Care Act seeks to keep people out of the hospital, calling upon hospitals to play a different role in preventing illness and complications of illness. As a for-profit enterprise, accountable to shareholders, for-profit hospitals are more likely to develop or expand profitable lines of service such as open-heart or orthopedic surgery and minimize or drop less profitable ones, such as psychiatric services.<sup>2</sup>

It is important to continually bear in mind who lives in Waterbury and the surrounding communities to be served by the proposed conversion. According to the Greater Waterbury Health Improvement Partnership, median household income is \$41,499 vs. \$69,243 for all CT. The unemployment rate in the city is 12.9% vs. 8.55 for the state. 20.6% of the city's population were below the poverty level in 2010. There were almost 22,000 uninsured adults last year, and of these it is estimated that 15,505 remain.<sup>3</sup> Priority health issues include access to care, mental health/substance abuse (Waterbury has the highest rates of suicide in CT), overweight and obesity, and tobacco use.<sup>4</sup> While costs, prices and profitability may be

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<sup>1</sup> Gaynor, M. & Town, R. (2012, June 1). The Impact of Hospital Consolidation – Update. From The Synthesis Project: [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2012/rwjf73261](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2012/rwjf73261)

<sup>2</sup> Horowitz, J. (2005). Making Profits and Providing Care: Comparing Nonprofit, For-Profit and Government Hospitals. *Health Affairs*, 24 (3)790-801

<sup>3</sup> Access Health CT Presentation. August 18, 2014. Thomson Reuters data.

<sup>4</sup> Greater Waterbury Health Improvement Partnership Final Summary Report, p.3

Waterbury Hospital's and Tenet's driving concerns, access to essential services and affordability are the consumer's concern, particularly for the city's working poor and Medicaid populations.

Hospital conversion in the U.S. is driven by an over-supply of hospitals and hospital beds that result in many institutions becoming "poorly positioned and fiscally vulnerable."<sup>5</sup> In Waterbury Hospital's case, its own data on bed capacity and occupancy suggest that it has an excess supply of beds.<sup>6</sup> Now, advocates of nonprofit conversions to for-profit argue that for-profit hospitals have more propensity and discipline than nonprofit, and will make the hard decisions to reduce beds, reduce staff and eliminate unprofitable service lines, to improve efficiency. Studies have found mixed results on efficiency between for-profit and non-profit hospitals.<sup>7</sup>

Whether or not it is good policy to approve conversions will depend largely on three questions: Are hospitals being acquired essential to the communities they serve? If they are financially troubled, as Waterbury Hospital is, but essential, is there another way to keep them open? If they are converted, will changes in the financial incentives for these hospitals affect access to care in the community, and if so, how? It is important that communities have a say since they are the ones that may lose access to critical care. Waterbury Hospital and Tenet Healthcare may have held meetings to elicit community questions and response to the proposed conversion. But I believe that today is the first official hearing sponsored by OHCA and the AG's

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<sup>5</sup> Weil, Thomas P. (2011) Privatization of Hospitals: Meeting Divergent Interests, *Journal of Health Care Finance* 38 (2) 1-11

<sup>6</sup> Utilization Statistics, Section F, page 27, CON (Confidential Memorandum, Cain Brothers)

<sup>7</sup> Changes in Health Care Financing and Organizations (HCFO). (2008) Findings Brief: The Impact of Hospital Ownership: looking for Consistency Among Conflicting Findings. 11 (2)

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office. I only hope that members of the public have the tenacity to wait until they get their 3 minutes to speak.

Connecticut's one for-profit hospital conversion, Sharon Hospital in rural Litchfield County, offers some lessons to consider in the current deliberations. You will hear later today in the public comment part of the hearing from Nancy Heaton, CEO of the Foundation for Community Health, the conversion foundation resulting from the hospital sale in 2004. In that case, Attorney General Richard Blumenthal called for the creation of a community board, appointed by the hospital, to represent the community's ongoing needs. Actual experience has been that the committee is unable to obtain much useful information from Essent Sharon Hospital. It is reported that the hospital does not share information they collect concerning community health needs with the board nor the foundation, and it has been generally uninterested in joint efforts to collect data. Access to certain services, including reproductive health and the free care program have declined in the 14 years since the conversion. Our colleague foundation desperately seeks information to help the community identify what it would do if the hospital downsizes or sells again (which already happened once): What's needed in their community? How could they stop further downsizing, if they needed to? What makes sense?

In retrospect, the Sharon experience helps us see that the community committee should be independently formulated, its role explicitly articulated as part of the conversion approval process, with clear authority to obtain information central to assessing issues regarding access to and affordability of essential services. There should be clear recourse for the committee

when such information is withheld. For-profit enterprises will bristle at any requirement to provide data they may consider “proprietary.” If the Office of Health Care Access and the Attorney General decide to approve this sale, it should be with protections ensuring the preservation of good jobs, commitment to hiring locally and community access to essential services. To further keep the focus on the quality provision of essential health services, the Universal Health Care Foundation also recommends that the composition of the Hospital’s governing board include 51% patients, doctors and other hospital workers. In addition, all for-profit hospitals should be required to conduct community health needs assessments, as required of nonprofit hospitals by the ACA.

The preceding recommendations assume that the Waterbury Hospital/Tenet conversion proposal may be approved, as may others. The trend these particular cases have created are rooted in reimbursement revenue pressures, declined volume, excess bed supply, need for access to capital, and payment reform expectations. The underlying issues are complex and inter-related. The ramifications of these trends are yet to be understood. Much of the basic re-design of the hospital infrastructure in Connecticut is happening out of fear, uncertainty and worry about market position. There appears to be little strategic intent by state regulatory and legislative bodies to facilitate planning for a hospital system that meets the needs of 21<sup>st</sup> century Connecticut, and that begins with a focus on population health, not individual hospitals’ survival. The Foundation gave testimony to the Legislature’s Public Health Committee in February recommending that even if these particular deals are approved in the

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short-term, there should be a moratorium declared on future deals. Again, we call for a moratorium. Perhaps the recently formed Legislative Task Force on Hospitals, with all stakeholders at the table, should carry out rigorous analysis of community health needs, the options available to hospitals for meeting them effectively and efficiently. A moratorium should be declared for a reasonable enough period to allow evaluation of Connecticut's experience with the models at play – consolidations, conversions and value-driven hospital affiliations such as the Value Care Alliance formed by seven community hospitals resisting the current trends. The Task Force should identify regulatory and legislative measures required to ensure hospitals' viability while protecting the health interests of the state's residents.

Thank you for the opportunity to speak before you today.